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STATE PASS NSC FOR QUANRUD AND BRYZA
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TAGS: [ENRG](#) [ECON](#) [EPET](#) [AJ](#) [GG](#) [KZ](#) [TU](#)

SUBJECT: TURKISH PETROLEUM OPTIMISTIC ABOUT BUSINESS IN A
POST-SANCTIONS IRAQ

REF: ANKARA 6593

Classified by EconCouns Scot Marciel, Reason 1.5 (b,d)

1. (C) Summary: The Turkish Petroleum Agency (TPAO) is optimistic about business opportunities in a post-sanctions Iraq. TPAO Vice President Bakiler believes TPAO will be well-placed to sign exploration and production agreements that the company has been negotiating for years with Iraq, and to finalize the 1997 "Agreement on Iraq Natural Gas Exports to Turkey." TPAO has no current business activity in Iraq, other than three rigs and 15 employees still in-country after recently completing a drilling contract. End summary.

2. (C) Turkish Petroleum Agency (TPAO) Vice President Can Bakiler told econoff February 4 that TPAO is optimistic about business opportunities in a post-sanctions Iraq. Bakiler said that, after U.N. sanctions were lifted, TPAO should be in a good position in three particular areas: exploration, production, and realization of the Iraq-Turkey Natural Gas Project (reftel). On exploration, Bakiler said, TPAO had been in discussions with the Iraqi Ministry of Oil since 1994 to form a joint venture for hydrocarbon exploration in Iraq. Although they had never finalized a contract, the basis of an agreement existed. Bakiler opined that, once sanctions were lifted, TPAO should be well-placed to begin exploration activities.

3. (C) Bakiler reported that TPAO had also negotiated with the Iraqi Ministry of Oil for years on development of the Gharraf Oil Field. Again, a contract had never been signed, but the groundwork for an agreement had been completed. Bakiler noted that the 1997 "Agreement on Iraq Natural Gas Exports to Turkey" called for the development of five Iraqi gas fields for the purpose of export to Turkey (reftel). Bakiler said TPAO hoped to move forward with Iraq on the gas deal, as well as the exploration and production agreements, immediately after sanctions were lifted.

4. (C) Commenting on TPAO's current activities in Iraq, Bakiler stated that the international subsidiary of the company, TPIC, had recently completed a U.N.-approved turnkey contract to drill 20 wells in northern Iraq, in the region between Kirkuk and Mosul. Most of the 45 TPAO employees working on this contract had left Iraq, with only about 15 personnel remaining. (Note: Bakiler noted that only retired TPAO employees working on contract were sent to Iraq.) In addition, three of TPAO's oil rigs still remained in Iraq, near the site where the drilling work was done. Bakiler claimed that TPAO had not yet decided whether to evacuate its personnel or the rigs. The rigs were about 25 years old, and therefore only worth about USD 1-2 million each; therefore, they likely would remain in Iraq. Bakiler asked econoff if the U.S. could confirm whether oil rigs in the region between Kirkuk and Mosul had a high risk of being destroyed in the case of a military operation.

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